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BALCHEM CORP
Form 11-K
June 29, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the fiscal year ended: December 31, 2004

OR

TRANSITION REPORT PURSUANT TO SECTION 15[d] OF THE SECURITIES EXCHANGE
ACT OF 1934

For transition period from _____ to _____

Commission file number 1-13648

A. Full title of the plan and the address of the plan, if different from
that of the issuer named below:

Balchem Corporation 401(k)/Profit Sharing Plan

B. Name of the issuer of the securities held pursuant to the plan and the
address of its principal executive office:

Balchem Corporation
52 Sunrise Park Road
PO Box 600
New Hampton, NY 10958

REQUIRED INFORMATION

Financial Statements:

4. In lieu of requirements of Items 1-3, audited statements and schedules prepared in accordance with the requirements of ERISA for the plan's fiscal year ended December 31, 2004 are presented herein.

Exhibits:

Consent of MCGLADREY & PULLEN, LLP, Independent Registered Public Accounting Firm

Consent of KPMG LLP, Independent Registered Public Accounting Firm

EXHIBIT INDEX

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Exhibit No. -----	Exhibit Description -----
23	Consent of MCGLADREY & PULLEN, LLP
24	Consent of KPMG LLP

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: June 28, 2005

BALCHEM CORPORATION
401(k)/Profit Sharing Plan

By: Balchem Corporation,
Plan Administrator

By:/s/ Dino A. Rossi

Dino A. Rossi, President,
Chief Executive Officer

By:/s/ Francis J. Fitzpatrick

Francis J. Fitzpatrick,
Chief Financial Officer

BALCHEM CORPORATION
401(k)/ PROFIT SHARING PLAN

Financial Statements
and Supplemental Schedules

December 31, 2004 and 2003

(With Reports of Independent Registered Public Accounting Firms)

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BALCHEM CORPORATION

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401(k)/PROFIT SHARING PLAN

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Report of Independent Registered Public Accounting Firm

Plan Administrator

Balchem Corporation 401(k)/Profit Sharing Plan:

We have audited the accompanying statement of net assets available for plan benefits of Balchem Corporation 401(k)/Profit Sharing Plan (the Plan) as of December 31, 2004, and the related statement of changes in net assets available for plan benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits of the Plan as of December 31, 2004, and the changes in net assets available for plan benefits for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of assets held at end of year as of December 31, 2004 and reportable transactions for the year then ended

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are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in our audit of the 2004 basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the 2004 basic financial statements taken as a whole.

/s/ McGladrey & Pullen, LLP
New York, NY
June 16, 2005

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Report of Independent Registered Public Accounting Firm

Plan Administrator
Balchem Corporation 401(k)/Profit Sharing Plan:

We have audited the accompanying statement of net assets available for plan benefits of Balchem Corporation 401(k)/Profit Sharing Plan (the Plan) as of December 31, 2003, and the related statement of changes in net assets available for plan benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits of the Plan as of December 31, 2003, and the changes in net assets available for plan benefits for the year then ended in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP
Short Hills, New Jersey
June 21, 2004

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BALCHEM CORPORATION
401(k)/PROFIT SHARING PLAN
Statements of Net Assets Available for Plan Benefits
December 31, 2004 and 2003

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	2004 -----	2003 -----
Assets:		
Investments at fair value (note 3)	\$10,270,939	8,258,111
Participant loans	333,838	149,285
Receivables:		
Employer contribution	320,378	316,958
Participant contributions	72,191	43,063
Interest	2,207	924
	-----	-----
Total assets	\$10,999,553 =====	8,768,341 =====

See accompanying notes to financial statements.

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BALCHEM CORPORATION
401(k)/PROFIT SHARING PLAN
Statements of Changes in Net Assets Available for Plan Benefits
Years ended December 31, 2004 and 2003

	2004 -----
Addition to net assets attributed to:	
Investment income:	
Interest	\$ 72,279
Dividends	5,449
Net appreciation in fair value of investments (note 3)	1,319,879

	1,397,607
Contributions:	
Participant	916,289
Employer	558,513

	1,474,802

Total additions	2,872,409
Deductions from net assets attributed to:	
Benefits paid to participants	(619,321)
Fees	(5,121)
Other, net	(16,755)

Total deductions	(641,197)

Net increase in net assets available for plan benefits	2,231,212
Net assets available for plan benefits at beginning of year	8,768,341

Net assets available for plan benefits at end of year	\$ 10,999,553 =====

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See accompanying notes to financial statements

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BALCHEM CORPORATION
401(k)/PROFIT SHARING PLAN
Notes to Financial Statements
December 31, 2004 and 2003

(1) Description of the Plan

The following description of the Balchem Corporation 401(k)/Profit Sharing Plan (the Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General

The Plan is principally a participant directed, defined contribution plan covering all active employees of Balchem Corporation (the Company), except those that are currently covered by a collective bargaining agreement, who have 60 days of service, as defined, and are 18 years of age or older. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

The Company pays administrative and record keeping fees for the Plan. Plan participants are required to pay fees for participant loans and certain brokerage fees for transactions pertaining to investments in Balchem Corporation Common Stock.

Contributions

Each year, participants may contribute up to 75% of pretax annual compensation, as defined in the Plan. Such amounts may be limited by the maximum amounts allowed under Internal Revenue Service regulations. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans. Participants direct the investment of their contributions into various investment options offered by the Plan. The employer matching contributions equal 35% of each participant's elected contribution and the Company may make discretionary profit-sharing contributions at the option of the Company's Board of Directors. Matching contributions are made in Balchem Corporation common stock on a monthly basis based upon the closing price of the stock on the last trading day of each month and are subject to the vesting schedule described below. Included in employers' contribution receivable as of December 31, 2004 and 2003 were discretionary company profit sharing contributions made in February 2005 and 2004 for the 2004 and 2003 plan years totaling \$301,270 and \$305,294, respectively.

Participant Accounts

Each participant's account is credited with the participant's contribution and allocations of the Company's matching contributions and plan earnings or losses. Allocations are based on participant account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

BALCHEM CORPORATION
401(k)/PROFIT SHARING PLAN
Notes to Financial Statements
December 31, 2004 and 2003

Vesting

Participants are 100% vested in their contributions plus actual earnings or losses thereon. Vesting in the Company contribution portion of their accounts plus actual earnings or losses thereon is based on years of continuous service, as defined. A participant becomes 100% vested after two years of service, except for employees hired as part of the Company's June 1, 2001 acquisition of certain assets of DCV, Inc. and its affiliate, DuCoa L.P., whose prior credited service is used in determining the vested portion of such matching contributions.

Investment Options

Upon enrollment in the Plan, participants may direct employee contributions to the various investment options administered by Prudential Retirement Insurance and Annuity Company (PRIAC) and a maximum of 10% of participant contribution to Balchem Corporation Common Stock Fund. Employer matching and discretionary contributions are made in company stock and are directed to the Balchem Corporation Common Stock Fund (see Schedule I).

Participant Loans

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their vested account balances. Loan terms extend up to five years or in excess of five years for the purchase of a primary residence. The loans are secured by the balance in the participants' accounts and bear interest at a fixed rate based on the prime rate plus 2% at the time of loan origination and range from 6% to 11%.

Payment of Benefits

On termination of service, a participant may receive a lump sum amount equal to the vested value of his or her account, or upon death, disability or retirement, the participant may elect to receive annual installments over a period not to exceed the participant's lifetime, or the joint lifetime of the participant and the participant's spouse, or an annuity contract.

Income (Loss) Allocations

Investment income (loss) for an accounting period shall be allocated to participants' accounts in proportion to the total of their respective account balances at the beginning of such accounting period plus any contributions or loan repayments credited to the account during the period.

Forfeited Accounts

Forfeited balances of terminated participants' nonvested accounts are allocated to all active participant accounts as of the last day of the plan year. Forfeited nonvested accounts totaled \$9,534 and \$3,235 at December 31, 2004 and 2003, respectively.

BALCHEM CORPORATION
401(k)/PROFIT SHARING PLAN
Notes to Financial Statements
December 31, 2004 and 2003

(2) Summary of Accounting Policies

Basis of Accounting

The financial statements of the Plan are presented on the accrual basis of accounting.

Risks and Uncertainties

The assets of the Plan at December 31, 2004 and 2003 are primarily financial instruments which are monetary in nature. Accordingly, interest rates and market fluctuations have a more significant impact on the Plan's performance than the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or in the same magnitude as the prices of goods and services as measured by the consumer price index. The investments are subject to risk conditions of the individual investments' objectives, the stock market, interest rates, economic conditions, world affairs and the results of operations and other risks specific to Balchem Corporation.

Investment Valuation and Income Recognition

Except for the Guaranteed Income Fund, investment securities held in the Plan's funds are stated at fair value determined from publicly quoted market prices. Participant loans are valued at cost, which approximates fair value. Purchases and sales of securities are recorded on a trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex dividend date.

Payment of Benefits

Benefits are recorded when paid.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the plan administrator to make estimates and assumptions that could affect the reported amounts of net assets at the date of the financial statements and the reported amounts of changes in net assets available for plan benefits during the reporting period. Actual results could differ from those estimates.

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(3) Investments

Investments at December 31, 2004 and 2003 consisted of:

	2004	2003
	-----	-----
Cash equivalents	\$ 2,058,523	2,059,656
Mutual funds	5,729,216	4,645,566
Common stock*	2,483,200	1,552,889
	-----	-----
	\$10,270,939	8,258,111
	=====	=====

* A portion of the common stock is non-participant directed.

The following represents investments that represent 5% or more of the Plan's net assets:

	2004	2003
	-----	-----
Balchem Corporation Common Stock*	\$2,483,200	1,552,889
Guaranteed Income Fund	2,058,523	2,059,656
Janus Adviser Balanced Account	873,746	784,864
S&P 500 Index Fund	2,261,099	1,757,602
Prudential Lifetime 40	703,083	587,499
	=====	=====

* A portion of the Balchem Corporation Common Stock is non-participant directed.

During the years ended December 31, 2004 and 2003, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in value as follows:

	2004	2003
	-----	-----
Mutual funds	\$ 484,214	880,305
Common stock	835,665	(118,056)
	-----	-----
	\$1,319,879	762,249
	=====	=====

(4) Non-participant directed Investments

Information about the net assets and the significant components of the changes in net assets relating to the non-participant directed investments is as follows:

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	-----	-----
Net assets - Balchem Corporation Common Stock	\$2,483,200	1,552,889
	=====	=====

	Year ended December 31	

	2004	2003

Change in net assets:		
Contributions	\$ 303,254	336,375
Dividends and interest	7,212	7,659
Net appreciation (depreciation)	835,665	(118,056)
Benefits paid to participants	(102,092)	(72,932)
Fees	(1,104)	(1,420)
Transfers to participant-directed investments	(112,624)	(413,952)

Net (decrease) increase	930,311	(262,326)
Net assets at beginning of year	1,552,889	1,815,215

Net assets at end of year	\$2,483,200	1,552,889
	=====	=====

A portion of the Balchem Corporation Common Stock is participant directed.

(5) Related-Party Transactions

As of December 31, 2004 and 2003, the Plan holds 71,583 and 68,109 shares of Balchem Corporation common stock, respectively, with a market value of \$2,483,200 and \$1,552,889 at December 31, 2004 and 2003, respectively. Certain Plan investments are shares of various funds managed by PRIAC. PRIAC is the trustee of the Plan and, therefore, these transactions are considered related-party transactions.

(6) Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of plan termination, participants will become 100% vested in their accounts.

(7) Income Tax Status

The Plan has received a favorable determination letter dated March 22, 1999 from the Internal Revenue Service ruling that it is a qualified plan pursuant to the appropriate section of the Internal Revenue Code (IRC) and, accordingly, the earnings of the underlying trust of the Plan are not subject to tax under present income tax law. Once qualified, the Plan is required to operate in conformity with the IRC to maintain its qualifications. Although the Plan has been amended since receiving the

determination letter, the Plan administrator and the Plan's tax counsel believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.

(8) Trust Services

Effective April 1, 2004, CIGNA Corporation signed an agreement to sell its

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retirement business, including CIGNA Bank & Trust Company, FSB, to Prudential Financial. As a result of the transaction, CIGNA Bank & Trust Company, FSB merged with a Prudential owned institution to form Prudential Bank & Trust, FSB.

With the completion of the merger, trust services previously provided by CIGNA Bank & Trust Company, FSB will now be provided by Prudential Bank & Trust, FSB, and any investments held by CIGNA Bank & Trust Company. FSB will now be held by Prudential Bank & Trust, FSB.

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BALCHEM CORPORATION
401(k)/PROFIT SHARING PLAN
Schedule H, Part IV, Line 4(i) - Schedule of Assets
Held at End of Year

December 31, 2004

Identity of issue, borrower, lessor or similar party	Description of investments including matu rate of interest, collateral, par or matu
Guaranteed Income Fund(1)	Units of participation in Guaranteed Income Fund - 66,190 units, \$31.10 per unit
Janus Adviser Balanced Account(1)	Units of participation in Janus Adviser Balanced A 29,331 units, \$29.79 per unit
Prudential Lifetime 60(1)	Units of participation in Prudential Lifetime 60 - 5,575 units, \$14.43 per unit
Prudential Lifetime 50(1)	Units of participation in Prudential Lifetime 50 - 3,939 units, \$14.24 per unit
Prudential Lifetime 40(1)	Units of participation in Prudential Lifetime 40 - 49,888 units, \$14.09 per unit
Prudential Lifetime 30(1)	Units of participation in Prudential Lifetime 30 - 22,635 units, \$14.28 per unit
Prudential Lifetime 20(1)	Units of participation in Prudential Lifetime 20 4,057 units, \$14.16 per unit
Large Cap Value/John A. Levin & Co. Fund(1)	Units of participation in Large Cap Value/John A. 21,902 units, \$13.28 per unit
Dryden S&P Index Fund(1)	Units of participation in Dryden S&P Index Fund - 32,548 units, \$69.47 per unit
Aim Premeire Equity Fund(1)	Units of participation in AIM Premier Equity Fund 2,109 units, \$43.27 per unit
Large Cap Growth/Turner Investment(1) Fund	Units of participation in Large Cap Growth/Turner 15,188 units, \$10.76 per unit
Aim Dynamics Fund	Units of participation in AIM Dynamics Fund - 9,868 units, \$23.49 per unit
TimesSquare Capital Management, Inc. Small Cap Growth/Times Square Fund(1)	Units of participation in Small Cap Growth/Times S 16,208 units, \$19.62 per unit
Janus Adviser Worldwide Growth Account(1)	Units of participation in Janus Adviser Worldwide 9,271 units, \$30.08 per unit
Balchem Corporation Common Stock(1) (2)	Units of participation in Balchem Common Stock - 71,583 units, \$34.69 per unit
Participant loans(1)	Interest rates range from 6.00% to 11.00%

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Total

- (1) Parties-in-interest
- (2) The cost basis of the Balchem Corporation Common Stock Fund at December 31, 2004 was \$1,253,411.

See accompanying report of independent registered public accounting firm.

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BALCHEM CORPORATION
401(k)/PROFIT SHARING PLAN
Schedule H, Part IV, Line 4(j) -
Schedule of Reportable Transactions
Year ended December 31, 2004

Identity of party involved	Description of asset	Purchase price	Selling price
-----	-----	-----	-----
Prudential Financial Services, Inc.	Balchem Corporation Common Stock	\$262,358	--
Prudential Financial Services, Inc.	Balchem Corporation Common Stock	--	177,000
		-----	-----
		\$262,358	177,000
		=====	=====

Reportable transactions include those purchases and sales of the same securities which, individually or in the aggregate (net of individual reportable transactions) exceed 5% of the market value of plan assets as of the beginning of the year. See accompanying report of independent registered public accounting firm.

See accompanying report of independent registered public accounting firm.

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